
Strategic Examination of Research and Development: issues papers

30 September 2025



AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

CELEBRATING
30
YEARS
1995-2025

PREFACE

The Australian Food and Grocery Council (AFGC) is the leading national organisation representing Australia's food, beverage and grocery manufacturing sector.

With an annual turnover in the 2022-23 financial year of \$162 billion, Australia's food and grocery manufacturing sector makes a substantial contribution to the Australian economy and is vital to the nation's future prosperity. Each business in the sector has contributed towards an industry-wide \$4.2 billion capital investment in 2022-23.

Food, beverage and grocery manufacturing together forms Australia's largest manufacturing sector, representing over 32% of total manufacturing turnover in Australia. The industry makes a large contribution to rural and regional Australia economies, with almost 40 per cent of its 281,000 employees being in rural and regional Australia.

It is essential to the economic and social development of Australia, and particularly rural and regional Australia, that the magnitude, significance and contribution of this industry is recognised and factored into the Government's economic, industrial and trade policies.

The industry has a clear view, outlined in *Sustaining Australia: Food and Grocery Manufacturing 2030*, of its role in the expansion of domestic manufacturing, jobs growth, higher exports and enhancing the sovereign capability of the entire sector.

This submission has been prepared by the AFGC and reflects the collective views of the membership.

OVERVIEW

The AFGC welcomes the opportunity to contribute to the *Strategic Examination of Research and Development: issue papers*.

ISSUE PAPERS

ISSUES PAPER 1: NATIONAL COORDINATION FOR RD&I IMPACT

Question: What aspects of this proposed model work well, and what could be improved and how?

The AFGC supports the transition to a mission-oriented approach driven by clear, long-term national priorities. The proposed structured 10+ year horizon and the focus on tri-sector partnerships (industry, research, government) are necessary to address the fragmentation within the current system – providing the certainty and scale required for the food and grocery manufacturing sector to commit to significant, sustained co-investment. The proposed model will ensure resources are pooled to achieve national impact, and the AFGC is particularly supportive of measures to achieve **strategic alignment** across federal and state funding instruments.

The AFGC considers that the model would be further improved through a robust governance structure to define national priorities that includes industry representation from all sectors, including food and grocery manufacturing.

The AFGC also recommends Government procurement practices should be explored as a powerful lever to pull R&D investment towards national priorities (e.g. boosting sovereign value-added food manufacturing including procurement of innovative/novel food ingredients), thereby securing a sustainable market for innovation.

ISSUES PAPER 2: SCALING THE RD&I SYSTEM

Question: What aspects of this proposed model work well, and what could be improved and how?

The AFGC endorses the framework's objective of taking a proactive approach to addressing the "good at starting, bad at growing" dilemma that impedes Australian commercialisation. The proposed support for early-stage innovation-driven businesses is crucial, but its success hinges on tackling the national 'missing middle' capability gap.

To truly bridge the gap, the framework must mandate specific mechanisms to fund and operate **shared-access national physical infrastructure**, such as industrial-scale pilot plants, advanced manufacturing hubs, and specialised processing lines (e.g., extrusion expertise). This infrastructure, coupled with the necessary operational and technical **commercialisation talent**, is essential to **de-risk** the translation of high-potential research and enable companies to achieve globally competitive scale without leaving Australia.

ISSUES PAPER 3: INCENTIVISING BREAKTHROUGH INNOVATION AND AMBITIOUS R&D

Question: What aspects of this proposed model work well, and what could be improved and how?

The AFGC supports reforming the **R&D Tax Incentive (RDTI)** to create a more targeted, effective, and less complex system. The high rate of reliance on third-party consultants (86%) to access the RDTI demonstrates a critical failure in the current administrative design, reducing the net benefit of the incentive.

The proposals for **stronger, tiered incentives** based on a firm's stage of R&D maturity will effectively incentivise high-risk/high-reward activity. For improvement, the redefined eligibility criteria must provide **legislative and administrative certainty**. This simplicity is vital for SMEs to access the incentive without incurring prohibitive compliance costs.

ISSUES PAPER 4: INVESTMENT AND CAPITAL: GROWING INVESTMENT AND CAPITAL FOR RD&I

Question: What aspects of this proposed model work well, and what could be improved and how?

The AFGC supports the proposals aimed at transforming Australia's "conservative capital culture" by increasing private investment in domestic innovation. Targeted measures to **strengthen incentives for angel and venture capital investment** are necessary to bridge the current funding gap.

For further information about the contents of this submission contact:

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STATE OF THE INDUSTRY

2023-24



The figures on this page exclude the fresh food sector and are based on 2023-24 ABS data.

1: This is total number of employees, head count basis and does not include seasonal employees.

2: Gross fixed capital formation for food, beverage and tobacco manufacturing subsector is taken as indicator of capital investment.